

OVERSIGHT REPORT ON THE ANNUAL REPORT OF CAPE AGULHAS MUNICIPALITY FOR THE FINANCIAL YEAR OF 1 JULY 2009 TO 30 JUNE 2010



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Harnessing the potential

INTRODUCTION

This oversight report determines the extent to which the Cape Agulhas Municipality has complied with the legal requirements applicable on the compilation of Annual Reports as well as the authority's performance against the national key performance areas. It highlights the achievements as well as the interventions undertaken in the current financial year to address the various challenges. The Oversight Report also reflects on Cape Agulhas Municipality's performance against the approved Millennium Development Goals (MDGs). For the purpose of this Oversight Report the Millennium Development Goals are hereby listed¹:

- (a) Eradicate extreme poverty and hunger
- (b) Achieve universal primary education
- (c) Promote gender equality and empower women
- (d) Reduce child mortality
- (e) Improve maternal health
- (f) Combat HIV and AIDS, malaria and other diseases
- (g) Ensure environmental sustainability
- (h) Develop a global partnership for development

LEGAL REQUIREMENTS

The Oversight Committee confirms that the Cape Agulhas Municipality has fully complied with the requirements of Section 121(1)(2)(3), 122(2), 126(1)(3), 127(2)(5), 17(3)(b) of the MFMA and Section 45(b) and 46 of the Municipal Systems Act, Act 32 of 2000.

In accordance with section 129(1) of the MFMA the Cape Agulhas Council will consider this Oversight Report as well as the subsequent adoption of the Annual Report on Wednesday 26 January 2010 at 09:00.

1. The MDGs represent a global partnership that has grown from the commitments and targets established at the world summits of the 1990s. Responding to the world's main development challenges and to the calls of civil society, the MDGs promote poverty reduction, education, maternal health, gender equality, and aim at combating child mortality, AIDS and other diseases.

Set for the year 2015, the MDGs is a globally agreed set of goals that can be achieved if all actors work together and do their part.

NATIONAL KEY PERFORMANCE AREAS FOR LOCAL GOVERNMENT

The performance of Cape Agulhas Municipality against the national key performance areas can be summarised as follows:

1. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

(a) Communication and public participation

The municipality has reached out to residents in the formal towns and villages and the participation of residents during the various processes was in accordance with the approved Integrated Development Process Plan, as well as the approved communication strategy.

Cape Agulhas Municipality communicates in the three official languages of the Western Cape, Afrikaans, English and isiXhosa, with Afrikaans being the predominant language. Translators are used in public meetings and the rule of being addressed in the language that is directed to the Municipality, applies.

Much has been done to improve the Municipality's electronic communication with the design of the Municipal Website, the implementation of an electronic document management system and the use of a sms-system for instant messaging.

Intergovernmental relations

Cape Agulhas Municipality participates in the various intergovernmental forums. The Municipality welcomes the re-establishment of the Overberg Inter-governmental Forum during late 2010.

Cape Agulhas Municipality worked closely with the Department of Social Services to provide support to the indigent communities in the poverty pockets within Cape Agulhas by way of nutrition centres. Specific support was provided to the fishing communities of Cape Agulhas in co-operation with the Department of Social Services.

The co-operation with the Department of Housing saw to the effective implementation of 250 low cost housing units in Napier.

2. INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

(a) Capacity building

Cape Agulhas Municipality reviewed its microstructure and invested significantly in strengthening the skills basis of its staff. Not only was a Human Resource Manager appointed to spearhead the management of the staff of Cape Agulhas Municipality, but 189 of the 284 officials received training during the 2009/2010 financial year.

Cape Agulhas Municipality is committed to ensure employment equity in its workplace and all appointments are made according to the targets set in the Municipality's Employment Equity Plan, which was submitted before the deadline and approved by the Department of Labour. The appointment of African persons, people with disability, as well as the advancement of women to senior management levels remains a concern.

The municipality, in conjunction with the Department of Labour, undertook a Skills Audit which was used as the basis for the Workplace Skills Plan, which was adopted before its legally due date. This Workplace Skills Plan, however, showed certain shortcomings, which was addressed by the appointment of an external contractor in the 2010/2011 financial year. The external contractor will now draft career development plans for each individual official according to the skills audit. This will be linked to a comprehensive skills development and training programme.

Cape Agulhas Municipality has made significant progress regarding compliance to the promulgated requirements needed by all financial officials by January 1, 2013. The involvement of the Local Government SETA in this regard is acknowledged.

During the reporting year two of the section 57 staff members are attending a Certificate Programme in Management Development for Municipal Finance, thus expanding Cape Agulhas municipality's collective expertise. Several officials were undergoing an executive management course in Local Government at the University of the Western Cape.

The Learnership 1000 programme is supported and a commitment exists to employ the interns, while the Municipality also subscribes to the Expanded Public Works Programme and initiatives.

An Occupational Health and Safety Implementation plan was drafted in response to a report compiled by SAFENET. Regular meeting of the Safety committee is conducted, where possible threats in the workplace are discussed and addressed.

In previous years the need for a comprehensive risk analysis was identified. An interim Task Team was established to address the report compiled by PriceWaterHouseCoopers. This lead to the eventual establishment of a permanent Risk Committee, the appointment of a Manager: Protection Services and the adoption of an Anti Corruption and Fraud Prevention Policy in the current financial year.

Cape Agulhas Municipality's personnel expenditure was within the national norm of between 35 and 40%. The decrease in the salary percentage in the reporting year indicates better control over staff expenditure.

(b) Accommodation

The headquarters of Cape Agulhas Municipality's main building in Bredasdorp was erected in 1976. A municipal amalgamation process was implemented in 2000, whereby Cape Agulhas Municipality was established, with Bredasdorp as the administrative headquarters. Local government today cannot be compared to the pre-amalgamation period as municipalities nowadays have a more diverse and comprehensive role to play. Today the municipal buildings no longer meet the operational requirements of local government.

Although some buildings were upgraded and extended during the previous reporting years, the need for additional accommodation remained and Cape Agulhas Municipality commenced with the process to possibly extend the existing headquarters in Bredasdorp.

(c) IT development

One of the main vehicles in building institutional capacity, is ensuring that staff has the necessary technical equipment to perform their duties at optimum levels. The following must be noted in this respect:

- (i) Since Cape Agulhas Municipality's technical assistance contract with its previous service provider expired on 30 June 2009, Cape Agulhas Municipality invested in the training of an official and appointed said official as ITC official during the current reporting year. A Shared Service option with Theewaterskloof Municipality is also underway.
- (ii) An electronic Service Delivery Budget Implementation Plan system was implemented and this system is used with great success as a performance management tool.
- (iii) Cape Agulhas Municipality implemented the Collaborator record management system in March 2009, but several problems arose that hampered the full utilisation of this system. Additional training and support were provided in the reporting year, resulting in full operation during the current reporting year.
- (iv) The Telkom telephone system was upgraded and the sms-system is used with great success as instant communication mechanism with residents.
- (v) The municipal website came into effect during the reporting year and this is used with great success in disseminating information to the broader public.
- (vi) A customer satisfaction survey was conducted, newsletters send and a functional complaint management system implemented to assist Council and management in addressing the needs of their communities.
- (vii) Interactions through Imbizos were used to highlight particular problems requiring attention and securing public input in service delivery.

3. LOCAL ECONOMIC DEVELOPMENT

(a) Planning

A municipality's performance is mainly assessed in terms of its development priorities and the objectives cited in its Integrated Development Plan (IDP). The IDP process and the drafting of outputs were co-ordinated internally and mechanisms were put in place to ensure that all stakeholders contribute to the decision making process as detailed in the approved Process Plan. The draft IDP for 2009 was tabled in March 2009 and approved in June 2009, along with the draft budget for 2009/2010.

(b) Local economic development strategy

Local Economic Development was an area of concern in previous reporting years. Much has since been done to address these concerns as Local economic development (LED) is seen as the main instrument to reach the eight approved Millennium Development Goals.

The newly established LED unit received a manager on 1 April 2009.

A comprehensive LED strategy has been developed for Cape Agulhas Municipality, through extensive stakeholder involvement, with the primary objective to create a conducive environment for all relevant stakeholders to pool their resources and expertise in order to create a significant number of decent sustainable job opportunities in all the economic sectors. The LED strategy has a pro-poor focus, while also striving to strengthen the existing business.

Cape Agulhas Municipality has successfully applied for funding from the Industrial Development Corporation (IDC) to establish a LED Agency in Bredasdorp. This will result in securing adequate capacity and resources required to implement high impact catalyst projects which will significantly stimulate the local economy.

Cape Agulhas Municipality is one of four municipalities in the Western Cape that participates in the SALGA/ P3 Partnership which is funded by the Swedish Government. The objective of this programme is to establish adequate skills and capacity at local government level to facilitate LED, particularly in rural areas. A series of Leak Plugging workshops had been held with emerging entrepreneurs to make them aware of how to shift their spending patterns and endeavour to make their money circulate longer in the region.

The Municipality has made major strides in empowering local entrepreneurs by adjusting their supply chain procedures, resulting in a bigger allocation of municipal work to local entrepreneurs.

The cornerstone of local economic development remains excellent service delivery and Cape Agulhas Municipality is fairing exceptionally well in this respect. Cape Agulhas Municipality's supply chain management policy was adapted to support local service providers and the Municipality agreed to undertake projects in phases to enable the upcoming entrepreneur with limited funding, to qualify for projects. All external contractors are required to use local labour and it is encouraged that a measure of skills transfer training takes place in this respect. As mentioned before, Cape Agulhas Municipality supports the Learnership programme whereby previously disadvantaged residents are provided with affordable training and experience. In accordance with the Millennium Goals, Cape Agulhas Municipality encourages the employment and equal opportunities of women. With this in mind, Cape Agulhas Municipality supports the housing implementation agent's recent decision to employ a local "Women in Construction"-group with the development of the new Napier Housing project.

Cape Agulhas Municipality, together with the Overberg District Municipality and the Premier of the Western Cape, hosted a highly successful FIFA World Cup Fanjol in Bredasdorp from 11 June to 11 July 2010. Importantly this event did not only contribute to building a national spirit, but provided local vendors and service providers the opportunity to share in the profit of 2010.

As indicated in previous years, Cape Agulhas Municipality is still not performing well pertaining land reform. Although the inherent challenges to undertake successful land reform initiatives in the Overberg is recognised, a dedicated intervention is required in this respect. Smaller land reform projects may still provide the answer and Cape Agulhas Municipality showed their commitment in this respect when they awarded commonage towards a black economic empowerment project, AgriDwala, in Napier. The Municipality continued to support AgriDwala during the reporting year.

Ad-hoc support is provided to festivals and conferences in the Cape Agulhas area that will attract tourists and investors. These include assistance towards:

Megaweek
Foot of Africa
Napier Festival
Durban Indaba
Local Government and Tourism Conference
Heartbeat Christ Festival

(c) Social assistance

Cape Agulhas Municipality provides social assistance in many forms. The most known would be the indigent support and the provision of free basic services. Assistance is provided to families during extreme

social difficulties and natural disasters. Support is provided towards the burial of the homeless, where no family can be traced. Ad-hoc financial awards are made to non-governmental organisations in accordance with Council's financial assistance policy. Beneficiaries are identified via a public participation process.

Cape Agulhas Municipality continued their social relief initiatives by providing an erf for the establishment of Lesedi crèche, but this project is held back until the approval of the new housing development in Bredasdorp.

Cape Agulhas Municipality again secured funding for food security assistance within the communities of Arniston, Struisbaai, Napier and Bredasdorp.

These initiatives are launched in support of the Millennium Development Goals to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/Aids and other diseases and creating sustainable development partnerships.

These social assistance programmes are not meant as permanent support. Social relief initiatives as described above must be short term, with the main focus on job creation initiatives that provides sustainable income.

4. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

(a) Finance

Cape Agulhas Municipality, has yet again, received unqualified audited statements for the past 10 years, and considers it a major achievement for the political leadership and the administration.

The Municipality confirms the following good and transparent practices:

- (i) The annual financial statements were not submitted on the due legislated deadline prescribed in section 126 of the MFMA, due to a technical problem on the side of the consultants, MUBESKO. The financial statements were submitted one day late.
- (ii) The financial statements submitted for audit were not subject to any material amendments resulting from the audit.
- (iii) The mid-year financial reports for 2009/2010 are submitted as prescribed by legislation and within the set timeframes. This is indicative of the sound financial management tradition of Cape Agulhas Municipality.
- (iv) The Municipality received R144 million revenue for the year.

- (v) Salaries and councillor allowances were 37% of the operating expenditure for the year under review and the percentage is within the national norm of between 35 – 40%.
- (vi) Bulk purchases of water and electricity and expenditure with regards to grants and subsidies that were received from other spheres of government, along with salaries and allowances, makes up most of the total operating expenditure of the municipality.
- (vii) Grant and subsidies received, property tax and service charges account for most of the revenue for the year under review.
- (viii) The internal audit function was outsourced to the firm PriceWaterhouseCoopers (PWC). This function did not perform optimally. The Manager: Expenditure was appointed as Internal Auditor, but as this official is critical to the Expenditure section in the Municipality, he could not be utilised fully as Internal Auditor, thus hampering the function of Internal Audit in the Municipality. As a result the Municipality approached the Development Bank of Southern Africa (DBSA) to assist them in deploying an Internal Audit expert to assist in the establishment of an internal audit unit within Cape Agulhas Municipality. The DBSA agreed to this during the current reporting year. Three financial interns will be employed in February 2011 to capacitate this unit.
- (ix) The Cape Agulhas Audit Committee is fully functional and meets at least once a quarter. The Audit committee, under the chairmanship of Mr P C Luttig, functions in accordance with an approved written term of reference.
- (x) The Audit Committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.
- (xi) As disclosed in the financial statements, unauthorised expenditure totalling R5 265 750 was incurred during the financial year in terms of section 1 and 15(b) of the MFMA, as a result of the new supply management process which had not been followed or the agreement with the former housing development agent extended after it had expired on 31 December 2006. A section 32 committee investigated the irregular expenditure and reported to Council in December 2009. Council accepted the report and approved the expenditure.
- (xii) During the 2009/2010 financial year outstanding debt to the amount of R214 109 was written off and provision for bad debt to the amount of R2.011 million was made in the financial statements as required by legislation.
- (xv) The municipality is not very reliant on external grants to finance expenditure and the percentage is in line with national norms. The total grants and subsidies received include the municipality's equitable share allocation of R6.899 million from the national government, which is mainly utilized to finance free basic services and the indigent policy.
- (xvi) Although there was a decline in the liquidity ratio, the municipality is still in a very healthy financial position and well above the national norm of 1:5:1. Outstanding debtors that form part of current assets only accounted for 11% on 30 June 2008.
- (xvii) The Municipality performed well against both the revenue and expenditure budgets. The 2007/2008 financial year was ended with a

surplus of R8.9 million that can be ascribed to savings on certain budgeted items. The over recovery on revenue of 2.5% was mainly due to more than budgeted for interest earned on investments. (xvii) With a 98% payment percentage Cape Agulhas Municipality remains one of the most fortunate municipalities in the country, with a healthy cash flow. This does not only testify towards a sound credit management authority, but also to a legitimate, functioning municipality that meets its constitutional obligations.

(xxii) The Oversight Committee recommends that the Municipality investigate mechanisms and possible organisational review to enhance the fleet management of Cape Agulhas Municipality. It seems to be more prudent to purchase vehicles than leasing such vehicles and this view point must be reflected in future budgets and planning.

(xxiii) Interns were appointed in January 2009 in accordance with the Financial Management Grant. The funding allocated in terms of the Financial Management Grant was not spent according to the agreed terms during the previous financial year. A letter was addressed to National Treasury for approval of deviation. Cape Agulhas Municipality advertised for an additional three interns during the current reporting year.

(xxv) Resources are managed in a manner that enhances the sustainability of municipal assets and activities.

(xxvii) As identified previously special attention has been given to sourcing external funding to unlock service delivery bottlenecks and to compile a long-term revenue enhancement strategy to address bulk infrastructure needs and the maintenance thereof. This resulted in a partnership with the IDC and a possible partnership with ARK Industries to establish a renewable energy plant in Cape Agulhas.

(xxviii) The Municipality aims to ensure that all their capital infrastructure projects are incorporated within the Municipal Infrastructure Grant (MIG) programme that provides funding for infrastructure improvements within previously disadvantaged communities.

(b) EXTERNAL FUNDING AND REPORTING

The municipality is not reliant on external grants to finance expenditure and the percentage is in line with national norms. The total grants and subsidies received include the municipality's equitable share allocation of **R6.899** million from the national government, which is mainly utilized to finance free basic services and the indigent policy.

Reporting on the Municipal Infrastructure Grant (MIG) takes place in accordance with the legislative requirements. **R3 689 207** was received for **2009/2010**, with **100%** expenditure.

5. BASIC SERVICE DELIVERY

(a) Service Delivery

Cape Agulhas Municipality provides basic services of an extremely high standard. To ensure that services are provided in a cost-effective manner that addresses the needs of the community it is essential that the Municipality is aware of the service delivery status and needs of the community. This was one of the main motivations for the Socio Economic Household Survey of Cape Agulhas in the previous reporting year and by conducting house to house visits to perform a client satisfaction survey. These documents provide a clearer picture of the service delivery status and needs on ground level.

One of the main areas of concern from previous and even the current financial year is that the Cape Agulhas Municipality does not engage with the rural farming communities. Very little data about the needs of this sector remains available. The Municipality did however try to address this lack of information by appointing a rural development worker in the Human Development section, on a contract basis.

If Cape Agulhas Municipality is serious about reaching the Millennium Development Goals, it is imperative that the rural areas assume their rightful place in service delivery. Temporary, project-based workers were deployed from 1 April 2009 to 30 June 2009 to undertake studies and special projects that will concentrate on the rural areas.

Cape Agulhas Municipality realizes that it is imperative that service delivery be provided in a cost-effective and sustainable manner and that emphasis should be placed on partnership building initiatives. In the past financial year, several key service level agreements that could have lightened the burden of service delivery.

(b) Housing

In the 2006/7 financial year there were approximately 2 904 housing units on the waiting list, including informal settlement areas. A total amount **of R2.587 million** was spent to build houses during the financial year under review.

The housing development projects, implemented by ASLA DEVCO on behalf of Cape Agulhas Municipality, were held back in awaiting a Record of Decision in Napier and an objection on the proposed new development in Bredasdorp. A Record of Decision in the case of Napier has since been received and 250 unites were completed in the reporting year. A new process had to be followed in Bredasdorp. It is foreseen that the housing project in Bredasdorp will only receive a green light in the 2010/2011 financial year.

Cape Agulhas Municipality also completed 52 housing bathrooms built for vulnerable groups in their houses, while a community hall was also completed in the rural area of Klipdale.

(c) ELECTRICAL ENGINEERING

Discussions took place with Escom during 2009 to address its service delivery challenges and problems experienced by consumers within the Cape Agulhas region. A new substation was build and equipped at Nooitgedacht to improve service delivery.

Cape Agulhas Municipality has taken cognisance of the fact that the national cabinet have recalled the initiative to establish Regional Electricity Distribution Systems and welcomes this news as it would have had a negative effect on the Municipality's income.

(d) PERFORMANCE MANAGEMENT

Service Delivery is measured against performance management indicators that were established against the goals set in the approved budget, in accordance with the approved IDP. An electronic Service Delivery Budget Implementation Plan (SDBIP) was implemented in the first quarter of the 2009/2010 financial year and continues to be used with great success in monitoring performance of not only directorates but the municipality as a whole. The oversight of public participation in setting service delivery targets and the monitoring thereof was addressed in the 2009/2010 financial year, with the public being invited to submit input. The SDBIP quarterly reports were distributed to ward committees and made available in municipal libraries.

The Municipality confirms that the SDBIP for 2009/2010 was approved within 14 days of the approval of the new budget and all quarterly and semester reports were submitted within the set time- frames.

A Performance Management Committee, consisting of the Director: Corporate Services, Mr A Kock and Ms M Weits, was established.

CONCLUSION

From the above report it is clear, that while some challenges are experienced within the national key performance areas, Cape Agulhas Municipality is performing well above the accepted norm as reflected in the Annual Report.

The Municipal Manager hereby presents the Oversight Committee Report on the Annual Report for the financial year 2009/2010 to Council for consideration and approval.

The Municipal Manager recommends that the Annual Report for the financial year of 1 July 2009 to 30 June 2010 be accepted.